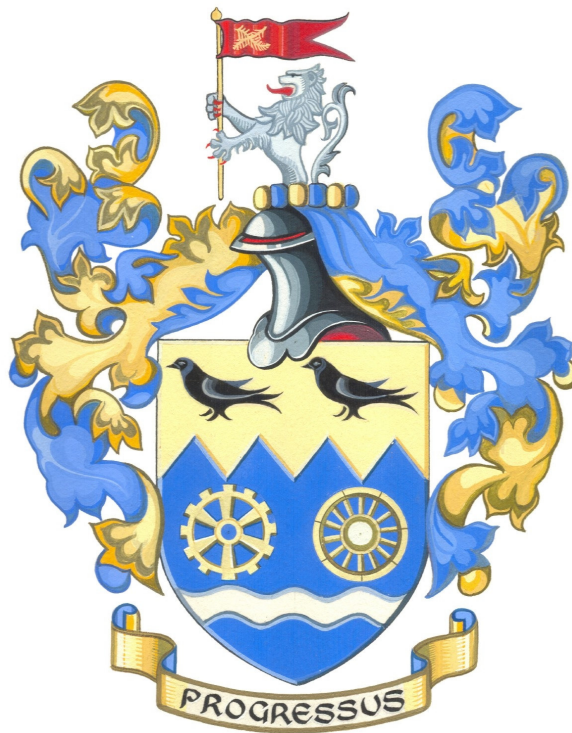


Emnambithi / Ladysmith Municipality



**Annual Financial Statements
2009 / 2010**

Annual Financial Statements

for

Emnambithi / Ladysmith Municipality

for the year ended 30 June 2010

Province :

Kwazulu-Natal

AFS rounding :

R'0 (to the nearest R1)

Contact Information:

Name of Municipal Manager :	Mr N J Mdakane
------------------------------------	----------------

Name of Chief Financial Officer :	Ms A R Ngwenya
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Emnambithi / Ladysmith Municipality
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2010

General Information

Members of the Council

Ms D C P Mazibuko
Mr M V Madlala
Mr R Niemand
Mr N P Sigasa
Ms IVB Madonsela
Mr J M H Wood
Mr M R Suddaby
Mr N P Molo
Mr M J Buthelezi

Mayor
Deputy Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Ms A R Ngwenya

Grading of Local Authority

Grade 4

Auditors

Auditor-General

Bankers

ABSA – Public Sector Banking

Registered Office :

Lister Clarence Building – Murchison Street, Ladysmith

Physical Address :

Lister Clarence Building
Murchison Street
Ladysmith
3370

Postal Address :

P O Box 29
Ladysmith
3370

Telephone number :

036 –637 2231

Fax number :

036 – 631 1400

E-mail address :

mm@ladysmith.co.za

EMNAMBITHI / LADYSMITH MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

NJ Mdakane
Municipal Manager

Date

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		708,811,089	701,904,393
Housing Development Fund	1	20,333,587	17,432,891
Accumulated Surplus/(Deficit)		688,477,502	684,471,502
Non-Current Liabilities		42,434,515	53,444,342
Long-Term Borrowings	2	5,589,048	16,670,588
Finance Lease Obligation	2	72,555	404,842
Retirement Benefit Obligations	5	36,772,912	36,368,912
Current Liabilities		139,576,451	118,031,468
Consumer Deposits	3	7,221,134	6,276,715
Provisions	4	4,605,700	4,367,000
Trade and Other Payables from Exchange Transactions	6	68,062,587	62,371,825
Unspent Conditional Grants and Receipts	7	48,533,223	42,917,289
VAT Payable	8	-	-
Current Portion of Finance Lease Obligation	2	73,592	557,351
Current Portion of Borrowings	2	11,080,215	1,541,288
Total Net Assets and Liabilities		890,822,056	873,380,203
ASSETS			
Non-Current Assets		696,637,333	698,374,102
Property, Plant and Equipment	9	641,923,568	642,506,785
Intangible Assets	10	358,132	593,043
Investment Properties	11	54,019,000	54,719,000
Investments	12	-	-
Non-Current Receivables	13	336,633	555,275
Current Assets		194,184,723	175,006,100
Inventories	14	13,158,213	8,356,617
Trade and Other Receivables from Exchange Transactions	15	34,723,213	32,033,991
Other Receivables from Non-Exchange Transactions	16	17,107,817	25,987,304
VAT Receivable	8	750,396	7,105,779
Current Portion of Receivables	13	59,406	97,990
Short-Term Investments	12	30,654,903	-
Call Investment Deposits	17	83,567,369	81,886,852
Cash and Cash Equivalents	18	14,163,407	19,537,568
Total Assets		890,822,056	873,380,203

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30th JUNE 2010

Budget			Actual	
2009 R	2010 R	Note	2010 R	2009 R
REVENUE				
80,538,801	94,347,229	Property Rates	94,347,228	80,528,686
7,285,007	8,569,719	Property Rates – Penalties imposed and Collection Charges	8,569,719	7,360,038
121,562,140	147,444,481	Service Charges	146,687,428	119,883,279
4,126,862	3,294,990	Interest Earned – External Investments	3,949,893	4,083,197
3,026,232	1,514,832	Interest Earned – Outstanding Debtors	1,514,831	2,998,148
1,971,495	4,144,286	Fines	4,144,136	2,707,410
4,438,153	4,994,169	Licences and Permits	4,994,170	4,926,309
67,094,189	81,217,608	Government Grants and Subsidies	110,723,601	98,126,858
-	-	Government Grants and Subsidies – Low Cost Housing	26,947,804	31,809,766
5,092,117	13,161,878	Other Income	16,539,165	14,225,558
-	-	Public Contributions, Donated Property, Plant and Equipment	-	-
-	2,932,747	Gains on Disposal of Property, Plant and Equipment	437,126	8,082,895
295,134,996	361,621,939	Total Revenue	418,855,102	374,732,144
EXPENSES				
76,294,598	94,662,408	Employee Related Costs	98,409,984	80,199,940
12,435,010	12,610,883	Remuneration of Councillors	10,589,942	9,892,996
4,255,040	10,315,158	Bad Debts	8,362,324	-
26,134,262	12,903,584	Indigency	26,358,728	16,210,852
13,424,661	13,340,029	Depreciation	59,098,539	71,955,387
29,042,386	32,577,821	Repairs and Maintenance	25,916,790	7,836,328
3,553,752	2,213,927	Finance Costs	1,719,871	1,901,246
68,451,799	88,247,289	Bulk Purchases	88,247,288	66,565,478
1,843,146	5,678,184	Grants / Subsidies and Rebates paid	5,678,184	1,688,849
-	-	Grant Expenses	4,326,565	2,905,443
-	-	Grants Expenses – Low Cost Housing	26,947,804	31,809,766
57,101,027	60,539,745	General Expenses	58,687,926	60,471,800
-	-	Impairment of Assets	964,228	1,562,500
-	-	Loss on Disposal of Property, Plant and Equipment	173,684	141,965
292,535,681	333,089,028	Total Expenses	415,481,858	353,142,550
2,599,315	28,532,911	SURPLUS/(DEFICIT) FOR THE YEAR	3,373,244	21,589,594

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Net Assets
	R	R	R
2008			
Opening Balance as previously reported	13,974,883	115,437,203	129,412,086
Adjustments – Refer to Note 28	–	547,458,206	547,458,206
Balance at 30 June 2008 as restated	13,974,883	662,895,409	676,870,292
2009			
Balance at 1 July 2008 as restated	13,974,883	662,895,409	676,870,292
Surplus /(deficit for the year	–	21,589,594	21,589,594
Prior Year Adjustments	–	–13,501	–13,501
Transfer to Housing Development Fund	3,458,008	–	3,458,008
Balance at 30 June 2009	17,432,891	684,471,502	701,904,393
2010			
Balance at 1 July 2009	17,432,891	684,471,502	701,904,393
Surplus /(deficit) for the year	–	3,373,244	3,373,244
Prior Year Adjustments & Transfers	–	632,756	632,756
Transfer to Housing Development Fund	2,900,696	–	2,900,696
Balance at 30 June 2010	20,333,587	688,477,502	708,811,089

EMNAMBITHI / LADYSMITH MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		433,205,645	311,657,900
Cash paid to suppliers and employees		-348,649,384	-265,570,224
Cash generated from/(utilised in) operations	27	84,556,262	46,087,676
Interest received		5,464,724	7,081,345
Interest paid		-1,719,871	-1,901,246
NET CASH FROM OPERATING ACTIVITIES		<u>88,301,115</u>	<u>51,267,775</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-59,244,640	-41,699,395
Purchase of intangible assets		-	-646,377
Proceeds on sale of assets		263,442	8,696,930
NET CASH FROM INVESTING ACTIVITIES		<u>-58,981,198</u>	<u>-33,648,842</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		-1,542,614	-1,412,868
Finance lease raised/(repaid)		-816,045	-664,410
NET CASH FROM FINANCING ACTIVITIES		<u>-2,358,659</u>	<u>-2,077,279</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>26,961,258</u>	<u>15,541,654</u>
Cash and cash equivalents at the beginning of the year		101,424,420	85,882,766
- Short-Term Investments		-	-
- Call Investment Deposits		81,886,852	69,949,857
- Cash and cash equivalents		19,537,568	15,932,909
Cash and cash equivalents at the end of the year		128,385,678	101,424,420
- Short-Term Investments	12	30,654,903	-
- Call Investment Deposits	17	83,567,369	81,886,852
- Cash and cash equivalents	18	14,163,407	19,537,568

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

1.4 COMPARATIVE INFORMATION (Continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

3.1 Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ringfenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus. 6

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

3.1 Self insurance reserve (Continued)

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

4.1 INITIAL RECOGNITION (Continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, property, plant and equipment are carried at depreciated replacement cost, being its fair value as at 30 June 2010, less any subsequent accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

An increase or decrease in the carrying amount of an asset as a result of a conditional assessment as at 30 June 2010 is credited/debited directly to accumulated surplus.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:-

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

4.3 DEPRECIATION AND IMPAIRMENT (Continued)

DETAILS	YEARS	DETAILS	YEARS
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	5 – 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Water	10 – 100	Office Equipment	5 – 7
Sanitation	10 – 100	Furniture and Fittings	10
Housing	30	Watercraft	15
Stormwater	25 – 120	Bins and Containers	5 – 10
<i>Community</i>		Specialised Plant and Equipment	5 – 15
Buildings	10 – 50	Other Items of Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Landfill sites	15
Security	3 – 5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

5. INVESTMENT PROPERTY

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

6. INTANGIBLE ASSETS (Continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 years

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

7. INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

8. FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

9. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

12. PROVISIONS (Continued)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

13. LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

13.1 MUNICIPALITY AS LESSEE (Continued)

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14. REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

14.1 REVENUE FROM EXCHANGE TRANSACTIONS (Continued)

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

EMNAMBITHI / LADYSMITH MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

16. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	20,333,587	17,432,891
Unappropriated Surplus/(Deficit)	(26,790,915)	(29,691,611)
Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment	-	-
Housing selling scheme loans	(2,108,213)	(1,863,250)
Housing rental debtors	-	-
Bank and cash	22,441,800	19,296,142
Sub-total	20,333,587	17,432,891
Creditors	-	-
Total Housing Development Fund Assets and Liabilities	20,333,587	17,432,891
2. NON-CURRENT LIABILITIES		
2.1 External Loans (Borrowings)		
Loans	16,669,160	18,210,448
Receiver of Revenue – Housing Debtors	103	1,428
	16,669,263	18,211,876
Less : Current portion transferred to current liabilities	(11,080,215)	(1,541,288)
– Borrowings	(11,080,215)	(1,541,288)
Total Borrowings	5,589,048	16,670,588
Refer to Appendix A for more detail on long-term liabilities.		
The Municipality intends to redeem its First National Bank Loan in full during the 2010/2011 financial year.		
2.2 Finance Lease Obligations		
Minimum lease payments due		
– within one year	88,417	652,885
– in second to fifth year inclusive	78,757	462,224
– later than five years	-	-
	167,174	1,115,109
Less : Future finance charges	(21,026)	(152,917)
Present value of minimum lease payments	146,147	962,192
Present value of minimum lease payments due		
– within one year	73,592	557,351
– in second to fifth year inclusive	72,555	404,842
– later than five years	-	-
	146,147	962,192
Non-current liabilities	72,555	404,842
Current liabilities	73,592	557,351

It is the Municipality's policy to lease certain equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 11.86% (2009 : 11.86%). Interest rates are fixed at the contract date. All leases have fixed repayments, except for two that have a 15% and 5% escalation, and no arrangements have been entered into for contingent rent.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
3. CONSUMER DEPOSITS		
Electricity	7,221,134	6,276,715
Total Consumer Deposits	7,221,134	6,276,715
Interest is not paid on Consumer Deposits		
Guarantees held in lieu of Electricity Deposits	2,657,122	2,666,844
4. PROVISIONS		
<u>Environmental Rehabilitation : Landfill Site</u>		
Balance at beginning of year	4,367,000	1,370,000
Contribution to provision	238,700	2,997,000
Total Provision	4,605,700	4,367,000
Provision for reclamation of refuse landfill site. In terms of the licencing of the refuse landfill site, council will incur rehabilitation estimation costs of R 4 605 700 (2009 : R 4 367 000) to restore the site at the end of its useful life.		
The calculation is based on the total actual area of the Landfill site which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.		
5. RETIREMENT BENEFIT OBLIGATIONS		
<u>Post-Retirement Medical Aid Plan</u>		
The Municipality provides post-retirement healthcare benefits to certain of its retirees.		
The valuation was performed by PricewaterhouseCoopers Actuarial & Insurance Management Solutions. PricewaterhouseCoopers Actuarial & Insurance Management Solutions are not connected to the Municipality. The full actuarial valuation report is available on request.		
The post retirement medical aid plan consists of the Bonitas, LA Health, Key Health and Samwumed medical aid funds.		
The total in-service employees belonging to Medical Schemes as at 30 June 2010 were 30 and the total continuation employees receiving the medical benefit as at 30 June 2010 were 70.		
<u>The amounts recognised on the Statement of Financial Position are as follows:</u>		
Present value of obligations	36,772,912	36,368,912
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	36,772,912	36,368,912
Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:		
Previous opening liability	36,368,912	31,893,310
Transitional liability recognised	-	-
Current service cost	1,107,000	962,846
Interest cost	3,398,000	3,548,465
Actual benefits paid	(1,867,000)	(1,102,947)
Actuarial loss / (gain)	(2,234,000)	1,067,238
Closing Balance	36,772,912	36,368,912
The amounts recognised in the income statement are as follows:		
Current service cost	1,107,000	962,846
Interest cost	3,398,000	3,548,465
Actuarial losses recognised	(2,234,000)	1,085,502
Transitional liability recognised	-	-
Total included in income statement	2,271,000	5,596,813

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Principle actuarial assumptions used:

Discount rate	9.30%	9.30%
Health care cost inflation	7.60%	8.30%
Average retirement age–Males	63	63
Average retirement age–Females	60	59
Continuation of membership at retirement	90.00%	90.00%

The effect of a 1% movement in the assumed medical cost trend rate

	1% decrease	Base	1% increase
Current employees	18,092,000	25,558,000	23,179,000
Continuation	15,036,000	11,214,000	17,858,000
All	33,128,000	36,773,000	41,037,000

The effect of a 1% movement in the assumed medical cost trend rate on interest and service cost

	1% decrease	Base	1% increase
Current service cost	982,000	1,107,000	1,254,000
Interest cost	3,387,000	3,398,000	3,412,000

Mortality improvements sensitivity

	Base	PA(90) –2	PA(90) –3
Current employees	25,558,000	21,077,000	21,733,000
Continuation	11,214,000	17,009,000	17,679,000
All	36,773,000	38,086,000	39,412,000

Continuation Assumption Sensitivity – Current employees not on medical aid

	25%	Base (50%)	75%
Current employees	14,817,000	25,558,000	26,031,000
Continuation	16,349,000	11,215,000	16,349,000
All	31,165,000	36,773,000	42,380,000

The Municipality expects to pay R2.01m to its post-retirement medical aid plan in 2011.

6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	8,131,218	12,048,939
Sundry Creditors	35,651,128	23,989,351
Creditors – Operating Leases	1,898	–
Unidentified Deposits in Primary Bank Account	12,079,441	13,633,043
Deposits : Other	1,658,684	1,383,677
Other Creditors	43,049	126,317
Staff Leave	4,069,803	4,802,419
Payments Received in Advance i.r.o. Service Debtors	6,427,367	6,388,079
Total Trade and Other payables from Exchange Transactions	68,062,587	62,371,825

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other Spheres of Government

Municipal Infrastructure Grants (MIG)	0	–
Provincial Local Economic Development (LED Projects)	212	810,467
Housing Projects	27,963,588	38,148,146
Other Grants and Subsidies	20,569,423	3,958,676
Total Conditional Grants and Receipts	48,533,223	42,917,289

8. VAT PAYABLE / RECEIVABLE

Vat Payable / (Receivable)	(750,396)	(7,105,779)
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EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value	Infrastructure	Community	Heritage	Other	Land	Leased Assets	Total
	R	R	R	R	R		R
Carrying values at 1 July 2009	486,426,595	36,213,510	15,345,184	80,003,345	24,322,000	196,150	642,506,785
Cost	992,006,776	116,829,408	15,346,262	153,290,103	24,322,000	364,705	1,302,159,254
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(505,580,181)	(80,615,898)	(1,077)	(73,286,758)	-	(168,555)	(659,652,469)
Acquisitions	7,204,123	7,340,679	6,250	16,024,563	-	-	30,575,615
Capital under Construction	24,154,615	1,304,000	-	3,458,021	-	-	28,916,636
Depreciation	(42,606,566)	(6,231,258)	(6,286)	(9,946,578)	-	(72,941)	(58,863,629)
Impairment	(361,828)	-	-	(602,400)	-	-	(964,228)
Carrying value of disposals	-	-	-	(247,611)	-	-	(247,611)
Cost/revaluation	-	-	-	(247,611)	-	-	(247,611)
Accumulated depreciation	-	-	-	-	-	-	-
Carrying values at 30 June 2010	474,816,938	38,626,931	15,345,148	88,689,340	24,322,000	123,209	641,923,568
Cost	1,023,003,685	125,474,087	15,352,512	171,922,676	24,322,000	364,705	1,360,439,665
Accumulated depreciation	(548,186,747)	(86,847,156)	(7,363)	(83,233,336)	-	(241,496)	(718,516,098)

30 June 2009

Reconciliation of Carrying Value	Infrastructure	Community	Heritage	Other	Land	Leased Assets	Total
	R	R	R	R	R		R
Carrying values at 1 July 2008	509,620,012	43,391,631	15,346,262	76,476,451	24,322,000	269,091	669,425,447
Cost	962,582,558	115,833,775	15,346,262	138,906,958	24,322,000	364,705	1,257,356,258
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(452,962,546)	(72,442,144)	-	(62,430,507)	-	(95,614)	(587,930,810)
Acquisitions	25,057,218	995,633	-	14,383,145	-	-	40,435,996
Capital under Construction	1,263,399	-	-	-	-	-	1,263,399
Depreciation	(52,617,635)	(8,173,754)	(1,077)	(10,856,252)	-	(72,941)	(71,721,659)
Impairment	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Carrying values at 30 June 2009	486,426,595	36,213,510	15,345,184	80,003,345	24,322,000	196,150	642,506,785
Cost	992,006,776	116,829,408	15,346,262	153,290,103	24,322,000	364,705	1,302,159,254
Accumulated depreciation	(505,580,181)	(80,615,898)	(1,077)	(73,286,758)	-	(168,555)	(659,652,469)

Refer to Appendix B for more detail on property, plant and equipment.

Infrastructure Assets

During the previous financial year the municipality implemented a process to identify, record, value and manage infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard were as follows

Physical verification and valuation

- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
- During the current financial year, the municipality identified assets relating to the prior year that were not previously disclosed. The municipality has subsequently disclosed these assets by way of a prior year adjustment.
- The assets have been valued by an independent valuer and are effective on 30 June 2009.
- Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used.
- A 100% verification and condition assessment was done except for stormwater due to the nature of the assets and the fact that the assets are underground.
- In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset is an asset that is referenced by a geographically referenced area and the actual position and detail of the asset estimated within this geographical area.
- As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detailed components.

Retrospective application of the effects of implementation of GRAP 17

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. On initial application the municipality applied prospective application of the infrastructure assets during the 2009 financial year. This was corrected during the current financial year by applying the application retrospectively. The methodology followed for the retrospective application corrections were done as follows:

Disclosure of the asset information

- The deemed cost was determined on 30 June 2009 by using the depreciated replacement values (DRC).
- In order to apply the retrospective application as required for the infrastructure assets previously adjusted prospectively, the CPI index was used to determine the DRC values as at 2007.
- For the movable assets actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of the assets.
- The opening balance for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.
- During the financial year the municipality also identified and measured investment properties in terms of GRAP 16.
- During the year a prior year adjustment was made to recognise and value the land fill site. The initial estimated rehabilitation charge for the rehabilitation of the land fill site, was incorrectly expensed in the prior year, was capitalised during the current year.

Movable Assets

During the current financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for movable assets. The key issues in this regard were as follows:

Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- During the current financial year, the municipality identified assets relating to the prior year that were not previously disclosed. The municipality has subsequently disclosed these assets by way of a prior year adjustment.
- A 100% verification and condition assessment was done.

Retrospective application of the effects of GRAP 17 implementation

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows

Disclosure of the asset information

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening balance for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

10. INTANGIBLE ASSETS

30 June 2010

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26,623	-	-	-	26,623
Computer Software	800,149	-	-	-	800,149
Total	826,772	-	-	-	826,772
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(233,730)	(234,910)	-	-	(468,640)
Total	(233,730)	(234,910)	-	-	(468,640)
Carrying Value	593,043	(234,910)	-	-	358,132

30 June 2009

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26,623	-	-	-	26,623
Computer Software	153,772	646,377	-	-	800,149
Total	180,395	646,377	-	-	826,772
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-	(233,730)	-	-	(233,730)
Total	-	(233,730)	-	-	(233,730)
Carrying Value	180,395	412,648	-	-	593,043

During the current financial year the municipality implemented a process to identify, record and value intangible assets as required in terms of GRAP 102. This resulted in a reconstructed fixed asset register for intangible assets. The key issues in this regard were as follows :

Physical verification and valuation

- All the Intangible assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

Retrospective application of the effects of GRAP 102 implementation

- The implementation of GRAP 102 is a change in accounting policy. In terms of GRAP 3, changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections were done as follows:

Disclosure of the asset information

- Actual values were used to determine the cost of these assets.
- The opening balance for the take on values of the assets as well as for accumulated amortisation is restated. This adjustment is made directly to accumulated surplus.
- Amortisation for the year has been based on the new asset values and is calculated on the straight line method.

Intangible assets disclosed relate to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

11. INVESTMENT PROPERTIES

30 June 2010

	Opening Balance R	Additions R	Disposals R	Impairment R	Transfers R	Total R
Cost	54,719,000		(700,000)		-	54,019,000
Total	54,719,000	-	(700,000)	-	-	54,019,000
Accumulated Depreciation	-	-	-	-	-	-
Total	-	-	-	-	-	-
Carrying Value	54,719,000	-	(700,000)	-	-	54,019,000

30 June 2009

	Opening Balance R	Additions R	Disposals R	Impairment R	Transfers R	Total R
Cost	63,688,000		(756,000)	(1,562,500)	(6,650,500)	54,719,000
Total	63,688,000	-	(756,000)	(1,562,500)	(6,650,500)	54,719,000
Accumulated Depreciation	-	-	-	-	-	-
Total	-	-	-	-	-	-
Carrying Value	63,688,000	-	(756,000)	(1,562,500)	(6,650,500)	54,719,000

During the financial year the municipality identified and measured investment properties in terms of GRAP 16.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 54 019 000 (2009 : R 54 719 000). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2008 and has been adjusted to take into account current market conditions.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R	
12. INVESTMENTS			
Long-Term Investments	-	-	
Short-Term Investments			
- ABSA (6 Months Fixed)	25,624,658	-	
- Investec (4 Months Fixed)	5,030,245	-	
Total Investments	30,654,903	-	
13. NON-CURRENT RECEIVABLES			
State Housing Selling Schemes	364,179	569,214	
Land Sales	-	-	
Staff Housing Loans	31,859	84,050	
Housing Loan Debtors			
	396,038	653,264	
Less : Current Portion transferred to current receivables	59,406	97,990	
State Housing Selling Schemes	54,627	85,382	
Land Sales	-	-	
Staff Housing Loans	4,779	12,608	
Housing Loan Debtors	-	-	
Total	336,633	555,275	
14. INVENTORIES			
Unsold properties held for resale	6,650,500	6,650,500	
Consumable Stores	6,507,713	1,706,117	
Total Inventory	13,158,213	8,356,617	
15. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
As at 30 June 2010	Gross Balances	Provision for Bad Debts	Net Balance
Service debtors	95,101,533	(60,497,381)	34,604,152
Rates	72,596,376	(55,292,986)	17,303,390
Electricity	18,289,501	(2,560,422)	15,729,080
Refuse	4,215,655	(2,643,973)	1,571,682
Housing Debtors	1,478,412	(1,359,350)	119,061
Total	96,579,944	(61,856,731)	34,723,213
As at 30 June 2009			
Service debtors	101,649,650	(69,762,713)	31,886,937
Rates	65,869,113	(51,682,198)	14,186,915
Electricity	22,468,218	(6,954,310)	15,513,908
Refuse	13,312,318	(11,126,204)	2,186,115
Housing Debtors	1,826,002	(1,678,948)	147,054
Total	103,475,651	(71,441,661)	32,033,991
Rates : Ageing			
Current (0 - 30 days)		(946,760)	56,141
31 - 60 Days		2,752,190	2,551,930
61 - 90 Days		1,914,709	1,989,075
91 - 120 Days		1,887,448	1,083,824
121+ Days		66,988,790	60,188,144
Total		72,596,376	65,869,113
Electricity : Ageing			
Current (0 - 30 days)		10,759,293	7,503,149
31 - 60 Days		1,427,150	1,871,016
61 - 90 Days		283,558	222,759
91 - 120 Days		174,656	208,907
121+ Days		5,644,845	12,662,387
Total		18,289,501	22,468,218

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EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Refuse : Ageing		
Current (0 – 30 days)	649,429	716,241
31 – 60 Days	188,237	330,052
61 – 90 Days	132,760	277,357
91 – 120 Days	127,146	251,877
121+ Days	3,118,083	11,736,790
Total	4,215,655	13,312,318

Reconciliation of the doubtful debt provision

Balance at beginning of the year	71,441,661	84,285,058
Contributions to provision	8,362,324	3,577,685
Additional provision for impairment	–	–
Doubtful debts written off against provision	(17,947,254)	(16,421,083)
Reversal of provision	–	–
Balance at year end	61,856,731	71,441,661

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R86 117 983 (2009: R 95 200 121) were impaired and provided for.
The amount of the provision was R61 856 731 as of 30 June 2010 (2009: R71 441 661).
The ageing of these receivables is as follows:

31 – 60 Days	3,137,138	3,566,824
61 – 90 Days	1,674,327	1,867,981
91 – 120 Days	1,572,493	1,159,131
121+ Days	55,472,773	64,847,725
	61,856,731	71,441,661

The fair value of trade and other receivables approximates their carrying amounts.

16. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Vat Service Debtors	3,410,558	4,498,296
Service Debtors – Conversion Debt	(14,499)	(6,830)
Colenso / Nkanyezi Arrears – Debtors	(172)	5,890
Colenso / Nkanyezi Availability Charges – Debtors	(6,030)	208,361
Legal Fees – Debtors	2,724,224	2,487,385
Credit Control Costs – Debtors	57,339	243,205
Sundry Debtors	14,393,017	22,255,966
	20,564,438	29,692,273
Less : Provision for Impairment	(3,456,621)	(3,704,970)
Total Other Debtors	17,107,817	25,987,304

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17. CALL INVESTMENT DEPOSITS		
The Municipality has the following call investment bank accounts :-		
<u>General Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207051716 Bank statement balance at end of year	213,453	11,519,766
<u>Department of Housing Grants Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207052314 Bank statement balance at end of year	42,129,618	48,335,129
<u>MIG (Grants) Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207054081 Bank statement balance at end of year	16,598,422	8,668,894
<u>Capital Projects Loan Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207054502 Bank statement balance at end of year	368,964	787,449
<u>Aloe and Berg Tea Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207054934 Bank statement balance at end of year	129,118	216,868
<u>Valuations Call Account</u> ABSA Bank – Public Sector Banking Account Number 9216278503 Bank statement balance at end of year	3,212,863	2,038,019
<u>Thusong Service Centre Call Account</u> ABSA Bank – Public Sector Banking Account Number 9207055346 Bank statement balance at end of year	2,672	130,634
<u>Depreciation Call Account</u> ABSA Bank – Public Sector Banking Account Number 9216278799 Bank statement balance at end of year	15,882,030	10,190,093
<u>Small Town Rehabilitation Grant Call Account</u> ABSA Bank – Public Sector Banking Account Number 9236394943 Bank statement balance at end of year	3,172,556	–
<u>Ladysmith Black Mambazo Call Account</u> ABSA Bank – Public Sector Banking Account Number 236410696 Bank statement balance at end of year	1,857,673	–
Total Call Deposits	83,567,369	81,886,852

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18. CASH AND CASH EQUIVALENTS		
The Municipality has the following bank account :-		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank – Public Sector Banking		
Account Number 4071756088		
Cash book balance at beginning of year	19,537,568	15,932,909
Cash book balance at end of year	14,163,407	19,537,568
Bank statement balance at beginning of year	17,032,571	22,468,936
Bank statement balance at end of year	15,665,461	17,032,571
19. PROPERTY RATES		
Actual		
Residential	42,503,357	45,236,883
Commercial	35,235,919	28,042,402
State	16,607,953	7,249,401
Total Assessment Rates	94,347,228	80,528,686
Valuations	R'000	R'000
Residential	5,070,021	5,802,980
Commercial	2,704,254	2,164,374
State	823,804	660,779
Total Property Valuations	8,598,079	8,628,133
Valuation on land and buildings is performed every five years. The last valuation came into effect on 1 July 2008. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.		
A residential property allocation factor of R0.0108 is applied to residential property valuations to determine assessment rates less R15 000 impermissible valuation allowed. A factor of R0.02 is applied to commercial and industrial with R15 000 impermissible valuation allowed. A factor of R0.0027 and R0.0108 is applied to Agricultural and Public Service Infrastructure respectively with R15 000 and 30% impermissible allowed respectively and phased in over 3 years, 2010 being the second year. A factor of R0.0450 is applied to vacant land. A factor of R0.02 is applied to State Domestic with R 15 000 impermissible valuation allowed. A factor of R0.0151 is applied to Ithala owned properties with R 15 000 impermissible valuation allowed. A factor of R 0.0108 is applied to Game Hunting & Eco-Tourism with R15 000 impermissible valuation allowed and phased in over 3 years, 2010 being the second year.		
Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2010 (2009: 30 June 2009). Interest at 18% per annum (2009: 18%) is levied on outstanding rates as well as a 10% (2009: 10%) collection charge two months after final date of payment.		
20. SERVICE CHARGES		
Sale of electricity	135,344,927	108,558,241
Refuse removal	11,342,502	11,325,038
Total Service Charges	146,687,428	119,883,279
21. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	67,439,465	52,919,025
Provincial LED Projects	920,703	2,084,969
Provincial Health Subsidies	7,147,639	6,243,851
Municipal Infrastructure Grant (MIG)	14,024,593	29,737,638
Dept of Housing	26,947,804	31,809,766
Museum Subsidy	57,000	62,972
Financial Management Grant – Interns Salaries	455,281	477,079
Municipal Systems Improvement Grant	735,000	1,000,000
Other Grants – Capital	18,853,659	5,262,796
Other Grants – Operational	1,090,261	338,528
Total Government Grant and Subsidies	137,671,405	129,936,624

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

21.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 70 000 and less, receive a credit for their Property Rates and their monthly services account.

21.2 Provincial LED Projects

Balance unspent at beginning of year	810,467	1,986,150
Current year receipts	110,448	909,286
Conditions met – transferred to revenue	(920,703)	(2,084,969)
Conditions still to be met – transferred to liabilities	<u>212</u>	<u>810,467</u>

Provincial LED Project grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

21.3 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts – included in Health Services Vote	7,147,639	6,243,851
Conditions met – transferred to revenue	(7,147,639)	(6,243,851)
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services and health inspections (included in the Health Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

21.4 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	10,866,171
Balance overspent at beginning of year (Debtor Raised)	(6,699,467)	-
Current year receipts	19,449,400	12,172,000
Conditions met – transferred to revenue (Other)	(14,024,593)	(29,737,638)
Funds not yet received – spending in advance (Debtor Raised)	1,274,660	6,699,467
Conditions still to be met – transferred to liabilities	<u>0</u>	<u>-</u>

This grant was used to construct roads and bridges, sportsfields and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

21.5 Department of Housing

Balance unspent at beginning of year	38,148,146	50,441,292
Current year receipts	16,763,246	19,516,620
Conditions met – transferred to revenue	(26,947,804)	(31,809,766)
Conditions still to be met – transferred to liabilities	<u>27,963,588</u>	<u>38,148,146</u>

This grant was used to construct houses as part of the upgrading of informal settlement areas.

21.6 Museum subsidy

Balance unspent at beginning of year	-	-
Current year receipts	57,000	62,972
Conditions met – transferred to revenue	(57,000)	(62,972)
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

This grant was used to subsidise expenses incurred solely for the museums.

21.7 Financial Management Grant – Interns Salaries

Balance unspent at beginning of year	-	-
Current year receipts	455,281	477,079
Conditions met – transferred to revenue	(455,281)	(477,079)
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

This grant was used for Interns salaries to advance the implementation of the MFMA.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

21.8 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	735,000	1,000,000
Conditions met – transferred to revenue	(735,000)	(1,000,000)
Conditions still to be met – transferred to liabilities	-	-

This grant was used for the implementation of the MPRA and the Asset Management Program to comply with GRAP.

21.9 Other Grants – Council Assets

Balance unspent at beginning of year	2,230,213	5,039,705
Current year receipts	33,621,129	2,453,304
Conditions met – transferred to revenue (Other)	(18,853,659)	(5,262,796)
Conditions still to be met – transferred to liabilities	16,997,684	2,230,213

These grants include MAP, MSP, MSIG, FMG, GIS, LUMS, DME, IDP infrastructure development, etc.

21.10 Other Grants – Non Council Assets

Balance unspent at beginning of year	1,728,462	1,808,711
Current year receipts	2,933,538	258,280
Conditions met – transferred to revenue	(1,090,261)	(338,528)
Conditions still to be met – transferred to liabilities	3,571,738	1,728,462

These grants cover expenses from the incorporated Municipalities

21.11 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22. EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Allowances	73,231,273	59,987,971
Employee related costs – Contributions for UIF, pensions, medical aids and group life	15,896,474	13,918,467
Travel allowances	4,111,117	3,596,440
Housing benefits and allowances	681,452	925,034
Overtime & standby payments	6,636,908	6,645,434
Performance bonus	299,962	289,627
Job Creation	12,186,594	6,887,340
Less : Employee costs to Property, Plant and Equipment and other expenses	(14,633,796)	(12,050,372)
Total Employee Related Costs	98,409,984	80,199,940

There were no advances or loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	836,538	746,909
Performance Bonus	97,098	89,657
Total	933,636	836,565

Remuneration of the Chief Financial Officer

Annual Remuneration	556,453	424,693
Overtime & Standby	-	-
Performance Bonus / Annual Bonus	24,590	22,253
Housing Benefits and Allowances	-	-
Travel Allowance	70,619	76,266
Contributions to UIF, Medical and Pension Funds	84,494	74,393
Total	736,156	597,606

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Remuneration of Individual Executive Managers / Managers (HOD's)
30 June 2010

	Economic Development (EM)	Governance & Transformation (EM)	Electrical Services (EM)
Annual Remuneration	522,452	650,024	295,012
Overtime & Standby	-	-	-
Performance/Annual Bonuses	63,395	57,056	82,414
Housing Benefits and Allowances	-	-	-
Travel Allowance	164,057	60,000	60,000
Contributions to UIF, Medical and Pension Funds	23,515	-	-
Contributions to Group Life	-	-	-
Total	773,419	767,080	437,426

(6 months)

30 June 2010

	Corporate Services (M)	Engineering Services (M)	Public Safety (M)
Annual Remuneration	301,752	301,752	301,752
Overtime & Standby	67,163	67,163	67,163
Performance Bonuses/Annual Bonuses	24,590	24,590	24,590
Housing Benefits and Allowances	5,928	5,928	-
Travel Allowance	136,341	135,325	138,441
Contributions to UIF, Medical and Pension Funds	102,371	75,313	102,414
Contributions to Group Life	4,603	-	-
Total	642,747	610,070	634,360

30 June 2009

	Economic Development (EM)	Governance & Transformation (EM)	Electrical Services (EM)
Annual Remuneration	469,893	573,950	505,853
Overtime & Standby	-	-	-
Performance Bonuses/Annual Bonuses	53,737	53,737	70,244
Housing Benefits and Allowances	-	-	-
Travel Allowance	164,057	60,000	120,000
Contributions to UIF, Medical and Pension Funds	-	-	-
Contributions to Group Life	-	-	-
Total	687,687	687,687	696,097

30 June 2009

	Corporate Services (M)	Engineering Services (M)	Public Safety (M)
Annual Remuneration	267,038	267,038	267,038
Overtime & Standby	58,216	58,344	53,407
Performance Bonuses/Annual Bonuses	22,253	22,253	22,253
Housing Benefits and Allowances	8,754	8,754	-
Travel Allowance	138,611	142,467	139,857
Contributions to UIF, Medical and Pension Funds	90,691	68,299	90,735
Contributions to Group Life	4,326	-	-
Total	589,889	567,156	573,290

23. REMUNERATION OF COUNCILLORS

Mayor	593,375	554,559
Deputy Mayor	478,122	446,844
Speaker	478,122	446,844
EXCO Committee Members	1,722,459	1,820,414
Councillors	7,317,864	6,624,335
Total Councillors' Remuneration	10,589,942	9,892,996

In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and the Deputy Mayor each have two full-time bodyguards.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
24. FINANCE COSTS				
Long-term liabilities			1,594,605	1,724,829
Finance Lease Obligations			95,136	152,917
Other interest paid			30,130	23,500
Bank overdrafts			-	-
Total Interest Paid			1,719,871	1,901,246
25. BULK PURCHASES				
Electricity			88,247,288	66,565,478
Total Bulk Purchases			88,247,288	66,565,478
	Distribution Losses : Electricity			
	2010 Kwh	2009 Kwh		
Value of Purchases at Sales Price	261,901,152	257,135,905	151,902,668	121,341,431
Less : Sales	(245,983,086)	(223,055,428)	(142,670,190)	(105,258,987)
Total Losses	15,918,066	34,080,477	9,232,479	16,082,444
Technical Losses	7,857,035	17,999,513	4,557,080	8,493,900
Non-Technical Losses	8,061,031	16,080,964	4,675,398	7,588,544
Total Losses	15,918,066	34,080,477	9,232,479	16,082,444
Percentage of Total Loss	6.08%	13.25%	6.08%	13.25%
26. GRANTS AND SUBSIDIES PAID				
Grants paid to students			74,510	68,743
Grants paid to other			6,000	13,250
Rates Rebates			5,597,674	1,606,856
Total Grants and Subsidies Paid			5,678,184	1,688,849
27. CASH GENERATED BY OPERATIONS				
Surplus/(Deficit) for the year			3,373,244	21,589,594
Adjustment for:-				
Non-Operating Income			2,900,696	3,458,008
Non-Operating Expenditure			700,000	7,406,500
Adjustments in Respect of Previous Years & Appropriations			632,756	(6,325,882)
Depreciation / Amortisation			59,098,539	71,955,387
Surplus on sale of assets			(437,126)	(8,838,895)
Loss on sales of assets			173,684	141,965
Contribution to landfill site rehabilitation			238,700	2,997,000
Contribution to retirement benefit obligation			404,000	4,475,602
Loss on impairment			964,228	1,562,500
Interest earned			(5,464,724)	(7,081,345)
Interest paid / Finance costs			1,719,871	1,901,246
Operating surplus before working capital changes:			64,303,868	93,241,681
(Increase)/decrease in inventories			(4,801,596)	(6,971,106)
(Increase)/decrease in debtors			(2,689,223)	(17,539,256)
(Increase)/decrease in other debtors			8,879,487	(12,102,692)
(Increase)/decrease in non-current receivables			257,226	(541,461)
(Decrease)/increase in unspent conditional grants and receipts			5,615,934	(27,224,740)
(Decrease)/increase in creditors			5,690,763	16,456,335
(Decrease)/increase in deposits			944,419	152,670
(Decrease)/increase in VAT			6,355,383	616,245
Cash generated by operations			84,556,262	46,087,676

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

28. CORRECTION OF ERROR

The retrospective application of GRAP 17 resulted in a prior year adjustment.

The comparative amount for the year prior to 2009 has been restated as follows:

Decrease in PPE	(35,526,483)
Increase in Investment property	63,688,000
Increase in Intangible assets	180,395
Net effect on Statement of Financial Position	<u>28,341,912</u>
Net effect on Accumulated surplus opening balance	(28,341,912)

The comparative amount for the 2009 year has been restated as follows:

Decrease in PPE	(45,579,755)
Decrease in Intangible assets	(233,730)
Net effect on Statement of Financial Position	<u>(45,813,485)</u>
Increase in Depreciation	<u>71,955,388</u>
Net effect on surplus/(deficit) for the year	<u>71,955,388</u>
Net effect on Accumulated surplus opening balance	<u>71,955,388</u>

Recognition of Additions for 2009

The comparative amount has been restated as follows in the 2009 Financial Year:

Increase in PPE	41,699,395
Increase in Intangible assets	646,377
Adjusted against accumulated surplus	(42,345,772)
Net effect on Statement of Financial Position	<u>-</u>
Net effect on Accumulated surplus opening balance	<u>(42,345,772)</u>

Recognition of sale of land previously not accounted for

The comparative amount has been restated as follows in the 2009 Financial Year:

Increase in loss on sale of Investment Property	141,965
Net effect on surplus/(deficit) for the year	<u>141,965</u>
Decrease in Creditors	614,035
Decrease in Investment Property	(756,000)
Net effect on Statement of Financial Position	<u>(141,965)</u>
Net effect on Accumulated surplus opening balance	<u>141,965</u>

Recognition of impairment of Investment property previously not accounted for

The comparative amount has been restated as follows in the 2009 Financial Year:

Increase in Impairment of assets	1,562,500
Net effect on surplus/(deficit) for the year	<u>1,562,500</u>
Decrease in Investment property	(1,562,500)
Net effect on Statement of Financial Position	<u>(1,562,500)</u>
Net effect on Accumulated surplus opening balance	<u>1,562,500</u>

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Being correction with regards to smoothening of operational lease income

The comparative amount for the year prior to 2009 has been restated as follows:

Increase in Debtor –operational Lease income	16,431
Adjusted against accumulated surplus	(16,431)
Net effect on Statement of Financial	-
Net effect on Accumulated surplus opening balance	16,431

The comparative amount has been restated as follows in the 2009 Financial Year:

Increase in Debtor –operational Lease income	25,791
Net effect on Statement of Financial	25,791
Increase in Lease income	(25,791)
Net effect on surplus/(deficit) for the year	(25,791)
Net effect on Accumulated surplus opening balance	(25,791)

Being correction of finance lease previously treated as operating lease

The comparative amount for the year prior to 2009 has been restated as follows:

Increase in Finance lease liability	(1,626,602)
Adjusted against accumulated surplus	1,626,602
Net effect on Statement of Financial Position	-
Net effect on Accumulated surplus opening balance	(1,626,602)

The comparative amount has been restated as follows in the 2009 Financial Year:

Decrease in Finance lease liability	511,493
Net effect on Statement of Financial Position	511,493
Increase in Interest Paid	152,917
Decrease in Lease Payments	(664,410)
Net effect on surplus/(deficit) for the year	(511,493)
Net effect on Accumulated surplus opening balance	(511,493)

Being adjustment to Debtors impairment

The comparative amount has been restated as follows in the 2009 Financial Year:

Decrease in Trade and receivable from exchange transactions	(17,234,473)
Net effect on Statement of Financial Position	(17,234,473)
Increase in Bad debt provision	17,234,473
Net effect on surplus/(deficit) for the year	17,234,473
Net effect on Accumulated surplus opening balance	17,234,473

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Being adjustment to operating leases not invoiced in the prior years

The comparative amount for the year prior to 2009 has been restated as follows:

Increase in Debtor –operational Lease income	5,466
Adjusted against accumulated surplus	(5,466)
Net effect on Statement of Financial Position	–
Net effect on Accumulated surplus opening balance	5,466

The comparative amount has been restated as follows in the 2009 Financial Year:

Increase in Debtor –operational Lease income	682
Net effect on Statement of Financial Position	682
Increase in Rental income	(682)
Net effect on surplus/(deficit) for the year	(682)
Net effect on Accumulated surplus opening balance	(682)

The correction of the errors results in adjustments as follows:

Statement of financial position

2007/2008 financial year

PPE	(35,526,483)
Investment property	63,688,000
Intangible assets	180,395
Debtor –operational Lease income	21,897
Finance lease liability	(1,626,602)
Accumulated surplus	(26,737,207)

2008/2009 financial year

PPE	(3,880,360)
Investment property	(2,318,500)
Intangible assets	412,647
Debtor –operational Lease income	26,473
Increase in Finance lease liability	511,493
Increase in trade and receivables from exchange and non-exchange transactions	(17,234,473)
Creditors	614,035
Accumulated surplus	(14,940,471)

Statement of financial performance

Depreciation expense	71,955,388
Interest	152,917
Lease payments	(664,410)
Rental income	(26,473)
Bad debts provision	17,234,473
Loss on sale of investment property	141,965
Impairment of assets	1,562,500

29. UNAUTHORISED EXPENDITURE

Opening balance	–
Unauthorised expenditure current year	82,392,830
Approved by council or condoned	–
Transfer to receivables for recovery	–
Unauthorised expenditure awaiting authorisation	82,392,830

Unauthorised expenditure is related to the actual expenditure exceeding budgeted expenditure on the Statement of Financial Performance.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
30. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>30.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	409,113	409,113
Amount paid – current year	(409,113)	(409,113)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>30.2 Audit Fees</u>		
Opening balance	-	-
Current year audit fee	1,441,044	1,009,217
Amount paid – current year	(1,441,044)	(1,009,217)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>30.3 VAT</u>		
All VAT returns have been submitted by the due date throughout the year.		
<u>30.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	14,158,481	11,570,298
Amount paid – current year	(14,158,481)	(11,570,298)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>30.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	25,108,504	22,133,851
Amount paid – current year	(25,108,504)	(22,133,851)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-
31. CAPITAL COMMITMENTS		
31.1 Commitments in respect of capital expenditure:		
– Approved but not yet contracted for		
<i>Infrastructure</i>	9,386,944	79,886,912
<i>Community</i>	767,262	5,729,806
<i>Heritage</i>	-	-
<i>Other</i>	25,020,898	17,004,243
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
– Approved and contracted for		
<i>Infrastructure</i>	24,005,056	
<i>Community</i>	5,632,738	
<i>Heritage</i>	-	
<i>Other</i>	3,546,019	
<i>Housing Development Fund</i>	-	
<i>Investment Properties</i>	-	
Total	68,358,917	102,620,961
This expenditure will be financed from:		
– External Loans	-	61,215,961
– Government Grants	51,518,000	29,015,000
– Own Resources	16,840,917	12,390,000
	68,358,917	102,620,961

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

31.2 Operating leases

At the reporting date, outstanding commitments under operating leases fall due as follows:

Operating leases – as lessee

Within one year	22,312	80,853
In the second to fifth year inclusive	–	11,897
After five years	–	–
Total	22,312	92,750

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals have an escalation per annum. No contingent rent is payable.

Operating leases – as lessor

Minimum lease payments due

Within one year	219,985	231,773
In the second to fifth year inclusive	452,307	457,615
After five years	412,557	525,504
Total	1,084,849	1,214,892

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties. Most leases have an indefinite term.

32. Contingent Liabilities

The Municipality intends to redeem its First National Bank Loan in full during the 2010/2011 financial year and may incur a penalty in this regard.

33. RETIREMENT BENEFIT INFORMATION

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The statutory valuation of the Fund at 31 March 2009 disclosed that the Fund was in a sound financial position. The Committee of Management previously levied a surcharge on the local authorities due to the shortfall in the Fund. At 31 March 2009 the Committee felt that the investment markets were too volatile and the future of the Fund too uncertain (following discussions of a possible merger with the Natal Joint Municipal Fund (Retirement) to cease the surcharge at that point. The surcharge of 7% of pensionable salaries has therefore been applied towards meeting the shortfall in respect of liabilities during the valuation period.

Natal Joint Municipal Pension Fund (Retirement)

The latest statutory valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2009 reflected a fund deficit in respect of members. The total contribution rate payable, including the current surcharge will remain in place until the deficit is eliminated.

Natal Joint Municipal Provident Fund

The latest statutory valuation of the NJMP Provident Fund (defined contribution) at 31 March 2009 revealed that the Fund reflected a deficit of R 13 930 000.

34. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

Nil.

35. RELATED PARTIES

The Municipality has no related parties.

36. RISK MANAGEMENT

Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter – party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS				Balance at 30 June 2009	Received	Redeemed or Written Off	Balance at 30 June 2010
				R	R	R	R
LONG-TERM LOANS	Interest Rate	Loan Ref.	Redeemable				
Absa Bank – Tsakane Electrification	9.10%	A1	Feb 2026	5,922,934	–	159,430	5,763,504
F.N.B. – Capital Expenditure	9.10%	F3	Feb 2016	12,287,514	–	1,381,858	10,905,656
Total Long-Term Loans				18,210,448	–	1,541,288	16,669,160
GOVERNMENT LOANS							
Receiver of Revenue – Housing Vat Debtors				1,428	–	1,325	103
Total Government Loans				1,428	–	1,325	103
TOTAL EXTERNAL LOANS				18,211,876	–	1,542,614	16,669,263

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost						Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Impairment Loss	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Infrastructure											
Electricity	253,920,423	-	6,801,480	-	83,944	260,637,959	90,263,000	5,691,211	-	95,954,211	164,683,748
Roads	660,706,705	6,965,423	16,421,049	-	277,885	683,815,293	378,687,243	34,366,728	-	413,053,971	270,761,322
Public Safety	18,635,781	-	-	-	-	18,635,781	7,239,744	1,128,947	-	8,368,691	10,267,090
Solid Waste	4,367,001	238,700	932,085	-	-	5,537,786	-	218,350	-	218,350	5,319,436
Stormwater	54,376,866	-	-	-	-	54,376,866	29,390,194	1,201,330	-	30,591,524	23,785,342
	992,006,776	7,204,123	24,154,615	-	361,828	1,023,003,685	505,580,181	42,606,566	-	548,186,747	474,816,938
Community Assets											
Land & Buildings	80,031,769	865,939	783,736	-	-	81,681,444	55,940,765	4,312,212	-	60,252,977	21,428,467
Recreation Facilities	36,797,639	6,474,740	520,264	-	-	43,792,643	24,675,133	1,919,046	-	26,594,179	17,198,464
	116,829,408	7,340,679	1,304,000	-	-	125,474,087	80,615,898	6,231,258	-	86,847,156	38,626,931
Heritage Assets											
Buildings	15,327,000	-	-	-	-	15,327,000	-	-	-	-	15,327,000
Other	19,262	6,250	-	-	-	25,512	1,077	6,286	-	7,363	18,148
	15,346,262	6,250	-	-	-	15,352,512	1,077	6,286	-	7,363	15,345,148
Other Assets											
Land & Buildings	84,810,060	-	833,836	-	-	85,643,896	59,562,970	4,829,187	-	64,392,157	21,251,739
Office Equipment	6,766,866	4,643,105	-	-	-	11,409,971	2,264,685	1,129,419	-	3,394,104	8,015,867
Furniture & Fittings	8,616,840	162,878	-	11	-	8,779,707	2,058,795	867,718	-	2,926,513	5,853,194
Motor Vehicles	45,102,454	9,451,934	-	247,600	602,400	53,704,389	7,326,154	1,935,590	-	9,261,744	44,442,645
Plant & Equipment	7,993,883	1,766,646	2,624,185	-	-	12,384,714	2,074,154	1,184,664	-	3,258,818	9,125,896
Other	-	-	-	-	-	-	-	-	-	-	-
	153,290,103	16,024,563	3,458,021	247,611	602,400	171,922,676	73,286,758	9,946,578	-	83,233,336	88,689,340
Leased Assets											
Office Equipment	364,705	-	-	-	-	364,705	168,555	72,941	-	241,496	123,209
	364,705	-	-	-	-	364,705	168,555	72,941	-	241,496	123,209
Land Assets											
Land with Buildings	10,017,000	-	-	-	-	10,017,000	-	-	-	-	10,017,000
Vacant Land	14,305,000	-	-	-	-	14,305,000	-	-	-	-	14,305,000
	24,322,000	-	-	-	-	24,322,000	-	-	-	-	24,322,000
Total	1,302,159,254	30,575,615	28,916,636	247,611	964,228	1,360,439,665	659,652,469	58,863,629	-	718,516,098	641,923,568

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost						Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Impairment Loss	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Admin and Valuation	9,933,482	536,145	681,874	-	-	11,151,502	6,230,541	443,242	-	6,673,783	4,477,719
BE Housing / Building Control	18,591,884	6,294,287	-	103,700	61,300	24,721,170	3,917,931	1,017,350	-	4,935,281	19,785,889
Clinics	6,621,225	60,303	-	-	-	6,681,529	3,703,322	547,603	-	4,250,925	2,430,604
Community Services	74,731,967	1,017,643	783,736	-	-	76,533,346	50,629,430	4,201,322	-	54,830,752	21,702,594
Corporate Services	1,687,317	110,620	-	5,600	400	1,791,937	425,165	188,942	-	614,107	1,177,830
Council General	895,880	8,250	-	11	-	904,119	249,709	182,854	-	432,563	471,556
Development & Planning	13,518,759	1,956,702	-	115,900	530,100	14,829,460	2,844,279	752,050	-	3,596,329	11,233,131
Electricity Service	259,999,340	191,167	6,801,480	21,400	94,544	266,876,044	91,603,395	6,057,408	-	97,660,804	169,215,241
Environmental Hygiene	6,778,521	455,976	3,556,271	-	-	10,790,768	1,315,564	519,086	-	1,834,651	8,956,117
Finance Management and Leadership	3,009,068	905,946	-	-	-	3,915,014	705,492	384,903	-	1,090,395	2,824,619
Fire Brigade	3,764,250	-	-	-	-	3,764,250	1,707,861	274,468	-	1,982,329	1,781,921
Mayoral	630,065	4,447	-	-	-	634,512	140,848	29,361	-	170,209	464,303
Municipal Manager	226,601	-	-	-	-	226,601	42,255	27,449	-	69,704	156,897
Parks & Gardens	40,123,664	7,033,180	574,326	-	-	47,731,169	26,471,653	2,113,905	-	28,585,558	19,145,612
Public Safety	32,866,948	5,034,526	97,900	1,000	277,885	37,720,490	12,515,046	2,288,597	-	14,803,642	22,916,847
Public Works	725,037,918	6,965,423	16,421,049	-	-	748,424,391	413,610,135	35,790,078	-	449,400,213	299,024,178
Real Estate and Housing	103,742,364	999	-	-	-	103,743,363	43,539,842	4,045,011	-	47,584,853	56,158,510
										-	-
TOTAL	1,302,159,254	30,575,615	28,916,636	247,611	964,228	1,360,439,665	659,652,469	58,863,629	-	718,516,098	641,923,568

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus / (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus / (Deficit) R
-	844,006	-844,006	Municipal Manager	-	1,597,404	-1,597,404
2,569,485	21,947,448	-19,377,963	Admin and Valuation	2,648,278	22,797,796	-20,149,518
213,773,976	95,999,998	117,773,978	Council General	225,271,685	105,670,853	119,600,832
412,867	1,600,281	-1,187,415	Corporate Services	297,572	2,593,428	-2,295,856
1,814,504	4,086,305	-2,271,800	Finance	2,117,227	6,285,279	-4,168,051
292,187	60,548,020	-60,255,832	Public Works	267,493	67,837,546	-67,570,053
68,062	9,226,494	-9,158,432	Development & Planning	99,854	11,777,826	-11,677,972
6,818,490	27,091,884	-20,273,394	Admin And Environmental Health	7,454,865	26,957,711	-19,502,845
8,061,800	21,113,126	-13,051,326	Public Safety	9,451,849	22,802,760	-13,350,912
-	780,640	-780,640	Mechanical Workshop	-	689,901	-689,901
159,747	6,898,956	-6,739,209	Real Estate and Housing	308,020	6,826,598	-6,518,578
23,717,289	19,331,442	4,385,847	Environmental Hygiene	26,249,883	28,867,827	-2,617,944
117,043,736	107,767,718	9,276,018	Electricity Service	144,688,376	134,842,229	9,846,147
374,732,144	377,236,317	-2,504,173	Sub Total	418,855,102	439,547,158	-20,692,056
-	-24,093,767	24,093,767	Less : Inter-Departmental Charges	-	-24,065,300	24,065,300
374,732,144	353,142,550	21,589,594	Total	418,855,102	415,481,858	3,373,244

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	94,347,228	94,347,229	-1	0.00	
Property rates – penalties and collection charges	8,569,719	8,569,719	0	0.00	
Service charges	146,687,428	147,444,481	-757,053	0.51	
Interest earned – external investments	3,949,893	3,294,990	654,903	-19.88	Surplus funds were invested during the financial year, with interest being due and payable on maturity of these investments falling due in the next financial year and
Interest earned – outstanding debtors	1,514,831	1,514,832	-1	0.00	
Fines	4,144,136	4,144,286	-150	0.00	
Licences and permits	4,994,170	4,994,169	1	0.00	
Government grants and subsidies	110,723,601	81,217,608	29,505,993	-36.33	Housing Grants are received on an ad-hoc basis with large tranche payments being received, which do not form part of our revenue as it is used only for low-cost
Other income	16,539,165	13,161,878	3,377,287	-25.66	Vehicle charge-outs accounts for a large portion of additional revenue generated, i.t.o. a surplus from the vehicle subsidiary ledger, that is not budgeted for separately.
Public contributions, donated and contributed PPE	-	-	-	0.00	
Gains on Disposal of property, Plant and Equipment	437,126	2,932,747	-2,495,621	0.00	
Total Revenue	391,907,298	361,621,939	30,285,359	-8.37	
EXPENDITURE					
Employee related costs	98,409,984	94,662,408	3,747,576	-3.96	
Remuneration of Councillors	10,589,942	12,610,883	-2,020,941	16.03	Included in the budget amount was backpay for employees and the scarce skills allowance. The expenditure relating to the backpay was minimal in comparison to
Indigency	26,358,728	12,903,584	13,455,144	-104.27	All automatic indigents qualifying with a property valuation of R70 000 and less had all their arrears written back i.t.o. indigency during the 2009/2010 financial
Bad debts	8,362,324	10,315,158	-1,952,834	18.93	During the year there was write-off of bad debts, and the budgeted amount was not sufficient to provide for the contribution to the provision account.
Depreciation	59,098,539	13,340,029	45,758,510	-343.02	Depreciation for Grant Funded Assets is transferred through Deferred Income and Government Grant Reserve in the Accumulated Surplus.
Repairs and maintenance	25,916,790	32,577,821	-6,661,031	20.45	Contribution towards capital was also funded through repairs and maintenance.
Interest paid	1,719,871	2,213,927	-494,056	22.32	Additional loans were budgeted for, which have not yet been taken up.
Bulk purchases	88,247,288	88,247,289	-1	0.00	
Grants and subsidies paid	5,678,184	5,678,184	-0	0.00	
Grant Expenses	4,326,565	-	4,326,565	N/A	
General expenses	58,687,926	60,539,745	-1,851,819	3.06	
Impairment of assets	964,228	-	964,228	0.00	
Loss on Disposal of Property, Plant & Equipment	173,684	-	173,684	0.00	
Total Expenditure	388,534,054	333,089,028	54,307,113	-16.30	
NET SURPLUS/(DEFICIT) FOR THE YEAR	3,373,244	28,532,911	-24,021,754	7.93	

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Infrastructure							
Electricity	-	6,801,480	6,801,480	26,537,903	-19,736,423	-74	
Roads	6,965,423	16,421,049	23,386,472	69,933,253	-46,546,781	-67	
Public Safety	-	-	-	-	-	0	
Solid Waste	238,700	932,085	1,170,785	-	1,170,785	0	
Stormwater	-	-	-	-	-	0	
	7,204,123	24,154,615	31,358,738	96,471,156	-65,112,418	-67	
Community Assets							
Land & Buildings	865,939	783,736	1,649,675	2,546,419	-896,744	-35	
Recreation Facilities	6,474,740	520,264	6,995,004	3,183,387	3,811,617	120	
	7,340,679	1,304,000	8,644,679	5,729,806	2,914,873	51	
Heritage Assets							
Buildings	-	-	-	-	-	0	
Other	6,250	-	6,250	-	6,250	100	
	6,250	-	6,250	-	6,250	0	
Other Assets							
Land & Buildings	-	833,836	833,836	4,614,243	-3,780,407	-82	
Office Equipment	4,643,105	-	4,643,105	-	4,643,105	100	
Furniture & Fittings	162,878	-	162,878	-	162,878	100	
Motor Vehicles	9,451,934	-	9,451,934	900,000	8,551,934	950	
Plant & Equipment	1,766,646	2,624,185	4,390,831	11,490,000	-7,099,169	-62	
Other	-	-	-	-	-	100	
	16,024,563	3,458,021	19,482,584	17,004,243	2,478,341	15	
Land Assets							
Vacant Land	-	-	-	-	-	0	
	-	-	-	-	-	0	
Total	30,575,615	28,916,636	59,492,251	119,205,205	-59,712,954	-50	

EMNAMBITHI / LADYSMITH MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sept	Dec	March	June	Sept	Dec	March	June	
Equitable Share	National Government	22,479,822	22,479,822	22,479,822						Yes
Museum Subsidy	Provincial Government			57,000						Yes
Health Subsidy	Provincial Government				7,147,639					Yes
Dept of Housing – Diamana Flats	Dept of Housing								42,653	Yes
Dept of Housing – Ezakheni	Dept of Housing		2,020,171			1,346,297	1,114,177	2,799		Yes
Dept of Housing – Nkanyenzi Hostel	Dept of Housing					5,917	46,515	2,643		Yes
Dept of Housing – St Chads Rural Housing Development	Dept of Housing		368,160			95,483	159,138	190,966	795,692	Yes
Dept of Housing – St Chads Urban Housing Development	Dept of Housing	6,122,044	4,247,949	3,387,522	568,901	3,793,190	6,111,251	1,559,423	3,919,630	Yes
Dept of Housing – Steadville Area E	Dept of Housing						2,531,302	1,588,747		Yes
Dept of Housing – Steadville Hostel	Dept of Housing							114,912	69,973	Yes
Dept of Housing – Municipal Housing Plan	Dept of Housing									Yes
Uthukela District	District Municipality	48,499				48,499		6,834	11,970	Yes
Library Book Fare	Donors			22,000				22,044	2,525	Yes
Donations Sports Event	Donors								4,853	Yes
Heritage Day Sponsorship	Donors						40,852			Yes
Mayors Donations	Donors								852	Yes
State of the Municipal Address	Donors								55,986	Yes
Flanders Pilot Project Housing	Flanders Govt					6,384	39,895	24,258	18,594	Yes
Aloe & Berg Tea Project	Gijima – European Union	2,576	2,696	1,903	1,831	104,087			24,187	Yes
Ladysmith Heritage Centre	Gijima							80,000		Yes
Sizenzela Project	Dept of Transport							349,750	45,084	Yes
Sports Fields in Ezakheni	Department of Sports & Recreation			697,125	1,504,875			1,019,245	1,237,309	Yes
PVA World Cup	Department of Agriculture				200,000				181,950	Yes
Financial Management Grant	National Government	750,000				235,915	251,003	361,337	1,104,420	Yes
D M E – MV Backbone – Tsakane	National Government					38,900	149,180	30,057	384,582	Yes
D M E – Streetlight Project (Energy Efficiency)	National Government			4,000,000					480,742	Yes
D M E – Electrification Community Gardens (20 Lots)	National Government				92,000					Yes
D M E – Electrification Umbulwane A,B,C (248 Lots)	National Government				1,141,000					Yes
D M E – Electrification Steadville Area D (50 Lots)	National Government				230,000					Yes
D M E – Electrification Thembalihle (42 Lots)	National Government				193,000					Yes
M I G – 10 HI Mast Lights – Ezakheni, Roosboom, Colenso, Steadville	National Government					1,039				Yes
M I G – Income	National Government		11,674,000	1,045,000	6,732,000					Yes
M I G – Low Water Crossing	National Government					237,371	170,479		1,536,404	Yes
M I G – Pedestrian Bridge Matondwane to Watersmeet	National Government						1,630			Yes
M I G – Pedestrian Bridge Ndomba Cemetery to Umbulwane	National Government					106,868			37,832	Yes
M I G – Upgrade Sportsfields	National Government								267,654	Yes
M I G – Pedestrian Bridge Ezakheni to Esidakeni	National Government					40,800	36,057	109,514	20,172	Yes
M I G – Pedestrian Bridge Watersmeet to Burford	National Government					40,800	36,057	109,812	20,172	Yes
M I G – Construction of Taxi Rank in Peacetown	National Government						99,838	41,845	28,851	Yes
M I G – Construction of Taxi Rank in Steadville	National Government							117,549		Yes
M I G – Sports Facilities Ezakheni Swimming Pool	National Government						503,610		16,654	Yes
M I G – Vehicular Bridge Baldaskraal to Lusitania	National Government						34,519		50,408	Yes
M I G – Ezakheni – 12Km Road (A,B,C,D,E)	National Government						1,261,133	1,978	5,542,146	Yes
M I G – Steadville Hall Kitchen	National Government								25,255	Yes
M I G – Landfill Site : Phase 1 & 2	National Government								522,873	Yes
M I G – Rural Roads	National Government					301,996	202,683	5,960	2,416,519	Yes
M I G – Street Lighting All Areas	National Government						515		78,639	Yes
Town Planning Scheme Grant	Provincial Government								150,000	Yes
Capacity Building Fund – Town Planner	Provincial Government							250	104,338	Yes
Community Development Workers	Provincial Government								12,404	Yes
Community Hall – Emakhukwini	Provincial Government					300,902	597,171	480,866		Yes
Development Admin / Capacity Building	Provincial Government								10,000	Yes
G I S – Town Planning Grant	Provincial Government					856			32,664	Yes
Integration with REDS	Provincial Government								3,949	Yes
Inter Departmental Monitoring	Provincial Government								46,698	Yes
L E D – Tourism Development	Provincial Government					9,440	1,140	4,000	33,300	Yes
L E D – Bambanani Farmers Association	Provincial Government						63,965	32,803		Yes
L E D – Pecan Nut Oil Project	Provincial Government					200,000	28,205		13,042	Yes
Thusong Centre Project	Provincial Government	2,298				4,393	20,222	410	49,081	Yes
Land Use Management System	Provincial Government								581	Yes
Multipurpose Centre : Abantungwakholwa	Provincial Government					28,545	6,644			Yes
Municipal Performance Management	Provincial Government								14,861	Yes
Review of IDP (Uthukela DM)	Provincial Government								23,219	Yes
Spatial Planning (LUMS)	Provincial Government								54,460	Yes
Technical Support Grant	Provincial Government								46,900	Yes
Umsombomvu Youth Fund	Provincial Government	130,000								Yes
Asset Management Grant	DPLGTA								471,361	Yes
System Strengthening Electricity	Public	24,250	52,008	9,590	146,007	76,254	349,152	154,296	211,851	Yes
SETA / Community Development Workers	SETA								92,300	Yes
Awesome Africa Heritage Day	Donors								15,000	Yes
Library Cyber Cadet Grant	Provincial Government	76,050				13,495	35,422	20,575	34,676	Yes
Ladysmith Black Mambazo	Provincial Government		206,944	1,807,125	919,443	18,971	1,483	46,258	110,046	Yes
Sabinet – Community Library Watersmeet	Provincial Government		25,000					11,770	4,241	Yes
Small Town Rehabilitation Grant	Provincial Government									Yes
Small Town Rehabilitation Grant – Midblock Parking	Provincial Government			14,100,000	8,901,000					Yes
Small Town Rehabilitation Grant – Sidewalks in CBD	Provincial Government							102,690	1,555,807	Yes
Small Town Rehabilitation Grant – Beautification Projects	Provincial Government							859,361	1,456,105	Yes
Small Town Rehabilitation Grant – Trading Stalls	Provincial Government							365,516	52,694	Yes
Small Town Rehabilitation Grant – Surveillance Cameras	Provincial Government							110,648	295	Yes
Small Town Rehabilitation Grant – Wimpy/Sondela Parks	Provincial Government							1,491,228	20,877	Yes
Lottery Funding – Athletics Track Ezakheni	National Lottery							1,365,269	3,556,245	Yes
Thembalihle Creche	Donor				1,280,000					Yes
Parking Facilities	Donor				100,000					Yes
Urban Design Framework Precinct Plan	Provincial Government				500,000				429,851	Yes
Job Evaluation – External Funding	Various Municipalities				500,000				950	Yes
		29,635,539	41,076,751	47,607,087	30,157,695	7,056,401	13,893,489	11,723,259	27,552,378	
					148,477,071				60,225,526	